

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS**



Public Hearing
On

Fiscal Year 2022 Budget Hearing

Testimony of
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Department of Consumer and Regulatory Affairs

Before the
Committee of the Whole
Council of the District of Columbia
The Honorable Phil Mendelson, Chairman

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3:00 pm

Good afternoon, Chairman Mendelson, Councilmembers, and staff. I am Ernest Chrappah, the Director of the Department of Consumer and Regulatory Affairs (DCRA). I am here, virtually, this afternoon to testify on the Fiscal Year 2022 Budget for DCRA.

On May 27, Mayor Bowser presented her Fiscal Year 2022 (FY22) Budget and Financial Plan to the Council of the District of Columbia as part of the District's annual budget process. The Fair Shot Budget makes significant investments to provide relief, recovery, and growth for residents and businesses across all eight wards. As Mayor Bowser has said, her Fair Shot budget plan honors the sacrifices made during the pandemic by making big investments in the residents and businesses that were hit hardest. This includes \$58 million to expand access to grocery stores and sit-down restaurants in Wards 7 and 8 over the next three years, \$8.1 million to increase funding for Great Streets and commercial ownership opportunities for small businesses, \$12.8 million to increase permitting and inspection capacity to handle increased demand as businesses reopen, and a number of targeted fee reductions and waivers that I will dive into deeper later in my testimony.

Let me now provide a high-level overview of the Mayor's proposed FY22 budget for DCRA. Overall, DCRA's FY22 operating budget is \$90.6 million, which is an almost \$17 million increase from the current fiscal year's budget. This 22.9 percent increase includes the addition of 26 Full Time Equivalents (FTEs), for a total workforce of 501. I want to thank Mayor Bowser for her increased investment in DCRA, which I view as a down payment on the future of an agency that by any objective measure is steadily improving. When I came before the Council to present DCRA's budget last year I was pleased to share that after a year of relentless focus on improving the agency's customer satisfaction across all core services, nearly 80 percent of our customers rated their interactions with the agency as "satisfactory" or "excellent." I am now very proud to

report that of the more than 250,000 inbound conversations handled this fiscal year to date, our satisfaction scores are now trending around 90 percent. Needless to say, this is a major improvement that we've invested a lot of hard work in to achieve and validation of our plan to continuously improve the efficiency and effectiveness of our core permitting, inspections, licensing, and enforcement programs.

As I mentioned at DCRA's performance oversight hearing, earlier this year the agency unveiled its new five-year strategic plan. The plan was informed by a range of stakeholders that included DCRA employees, industry leaders, community leaders, and members of the Council. In my testimony today I will speak to how our budget aligns with our strategic plan, with a focus on three areas: (1) protecting consumers from predatory business practices and tenants from delinquent landlords; (2) promoting entrepreneurship in the District to fuel our economy; and (3) supporting and empowering our staff.

Protecting Consumers from Predatory Business Practices and Tenants from Delinquent Landlords

DCRA's proposed budget for the next fiscal year includes funding for new employees who will play a critical role in monitoring and coordinating the agency's enforcement activities. As an example, when DCRA conducts a building-wide inspection, this requires a great deal of advance work that includes scheduling a time when multiple inspectors are available and working with tenants to ensure that they'll be present to let inspectors into their units. Once the inspections are performed and Notices of Infraction are issued for violations, these new employees will help ensure that follow-up inspections can be conducted to verify that the issues have been corrected,

or if not, additional citations are issued. Put simply, these additional staff will allow us to be more aggressive in going after delinquent landlords.

Our proposed budget also includes \$200,000 for DCRA's successful Resident Inspector Program. While some on the Council have expressed skepticism about the program, the results speak for themselves. As of June first this fiscal year, our Resident Inspectors have performed:

- 1,355 housing inspections;
- 1,196 vacant and blighted building inspections; and
- 528 illegal construction inspections.

Without question, the Resident Inspector Program has allowed DCRA to vastly increase our inspection capacity, shorten the timeline between when an inspection is requested and when it's performed, and provide well-paying supplemental income to certified professionals. I would also note that while some had raised concerns about whether citations issued by Resident Inspectors would encounter issues when appealed, there has been no evidence of this. In short, the program has worked and expanding it will increase the agency's effectiveness.

Funding in next fiscal year's budget is also directed at completing the improvements the agency committed to in the wake of the tragic Kennedy Street fire. Specifically, the budget includes almost \$1 million for the hiring of five investigative inspectors who will be able to be deployed to handle both housing code inspections and consumer protection investigations. This additional funding will also allow us to complete the enhancements to DCRA's consumer case management system and ensure full integration with other DCRA systems that started in FY21. DCRA also plans to continue its communication and outreach efforts to vulnerable communities in furtherance of our overall housing safety work.

Promoting Entrepreneurship in the District to Fuel our Economy

We know that the pandemic has been an especially tough time for our city's businesses, with reduced revenue and added costs for equipment and supplies to keep employees and customers safe. To help ease the financial burden, Mayor Bowser is proposing significant license fee reductions:

- Reducing the amount owed for a General Business license, including renewals, from up to \$324 to \$99;
- Reducing the corporate formation fee for both domestic and foreign entities in the District with authorized capital of up to \$100,000, limited liability companies, limited partnerships, limited liability partnerships, and business statutory trusts from \$220 to \$99;
- Reducing the license fee to start or renew an employment agency, employer paid personnel service, or employment counseling business from up to \$2,034 to \$99; and
- Reducing the fee to obtain new or renew non-health occupational licenses from up to \$1,000 to \$99 for the last quarter in the current fiscal year through the end of FY22.

When taken together, these fee reductions amount to major savings for District small business owners. As an example, let's take a barber who wants to open their own shop to cut hair and sell hair and shaving products. Currently, they would need to pay more than \$900 in licensing fees. The Mayor's fee reductions will drop that number down significantly, saving the barber more than \$400—that's money the barber could put toward other startup expenses to get their business up and running. I am also hopeful that these fee reductions will help with our collective efforts on racial equity, making it easier for people of color to pursue their entrepreneurial dreams in DC.

The agency's budget for the next fiscal year also includes \$12.8 million for fast-tracking the issuance of licenses and permits to aid the District's economic recovery and growth. This

includes a team of 21 new term FTEs to support an influx of licensing, permitting, inspection, and administrative service requests. The team will be supported by contracting staff at DCRA and sister agencies who play a role in the permitting and licensing processes, including the District Department of Transportation, Department of Energy and Environment, Office of Planning, and DC Health. Included in this effort will be accelerated plan reviews, where instead of a design professional submitting plans and then going back and forth with a plan reviewer over several rounds of review, everyone will work together—in-person or virtually—to address design and related issues collectively. This, coupled with additional resources for our inspections and licensing teams, will allow us to help shepherd projects to completion faster than ever and help fuel the District's economic resurgence. Whether it's a new restaurant, nail salon, or corner store, our message to entrepreneurs is clear: we want to help you open as quickly as possible.

To further assist District small businesses, Mayor Bowser is proposing a corporate registration amnesty program for businesses and non-profits with 50 employees or fewer whose corporate registration was revoked for failing to file a biennial report. Under the amnesty program, the small business or non-profit entity can be reinstated without needing to pay filing fees or late fees for past due reports. This program will allow these businesses to come back into compliance without having to pay hundreds of dollars in fees that have likely deterred them from doing so previously. DCRA estimates that well over 1,000 small businesses and non-profits are eligible to take advantage of this amnesty program.

Switching now to the implementation of the District's short-term rental legislation, DCRA expects to begin issuing short-term rental licenses later this summer once the regulations have been finalized. As you know, in adherence to the District's rulemaking process, DCRA has gone through three rounds of proposed rulemakings, making changes as necessitated by feedback from the

public. Once the comment period for the third proposed rulemaking ends on June 28, our expectation is that we will be able to move to a final rulemaking and begin issuing licenses shortly thereafter. The license fee for a short-term rental license will be \$99. To cover the agency's license issuance costs, the license fee would need to have been \$200 instead of \$99, but in order to make short-term licenses more affordable to District residents looking to supplement their income by renting out their primary residence, the fee will instead be \$99. To offset the revenue loss, DCRA's FY22 budget includes a \$420,000 enhancement.

Supporting and Empowering Staff

Over the last year our staff has been incredible. From inspecting more than 1,000 businesses to ensure compliance with COVID-19 measures, to helping restaurants secure expanded outdoor seating, providing permits and inspections to alternative sites of health care and school facilities due to the pandemic, offering wood and board up assistance at business sites and conducting damage assessments when the District was in need, to working long hours to facilitate a safe presidential inauguration, the team at DCRA has truly stepped up for the District. Let me be clear that these efforts are on top of our staff's regular workload, having to adjust to the modified operational posture of both in-person and remote work, and the increased customer service demand due to the pandemic. DCRA met or exceeded all of the agency's nineteen (19) key performance indicators in FY20 and during the first two quarters of FY21. Along with expressing our appreciation, it's important that our employees are given additional manpower and growth opportunities. The agency's budget includes the 26 new FTEs mentioned previously, including inspectors, quality assurance specialists, analysts, and managers. The agency's budget also includes funding for the system enhancements, tools and training resources our employees need to

do their jobs effectively, whether that's specialized software, improvement of existing systems, or vehicles.

Conclusion

As I conclude my testimony today, I would again like to thank Mayor Bowser for her investment in DCRA, which has over the last several years led to significant and measurable improvements. While there are certainly areas where I believe further progress is needed, I would encourage the Council to prioritize funding initiatives that will actually lead to improvement. Put succinctly, you could spend millions of dollars duplicating multiple administrative functions and creating silos as part of an agency split, or you could invest directly in the programs that you believe need to be improved.

Thank you for the opportunity to testify today. I look forward to answering any questions you may have.